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ABSTRACT

This guide for college students in Alberta, Canada, discusses paying back students loans. While it may be the last thing a student wants to think about as he or she leaves college, it is a good idea to plan how to pay back the loan. A Canadian student has 6 months free of payments on graduation, but then must begin paying student loans, principal and interest on the first day of the seventh month following completion of studies. Students in Alberta may have Alberta and Canada Student Loans, and must plan for both. The booklet explains the Alberta Student Loan Relief Program, which repays part of the province's student loan for eligible students with large loan burdens. Also explained are regular repayment schedules and what happens when a student cannot repay a loan. Some frequently asked questions are presented, and sources of additional information are described. (SLD)

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Exit Guide

Strategies for Paying Back Your Student Loan

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A Little Planning Can Save A Lot Of Money

Leaving school can be a lot like starting was – it's a new chapter in your life. It's unfamiliar territory that can be exciting and scary at the same time, with new opportunities, challenges and responsibilities. Paying back your student loan may be the last thing you want to deal with at this point, which is why it's a good idea to plan how you're going to pay it back before you receive your diploma or your degree.

"I've Got An Education. Why Do I Still Need A Budget?"

Ahhhhh, the end of student life. No more macaroni and cheese, right? If you find work quickly, chances are you will be making a lot more money than you did as a student. But you may also have higher expenses. Just like when you started school, now is the time to draw up a new budget.

What do you project will be your monthly income? Talk to your school or recent graduates, check with a professional association or union in your field, search the Internet for salary surveys. This will give you a good idea of the best-case scenario.

Then, try to figure out your post-student living expenses. Where are you going to live? What expenses will you have starting a new job?

The jeans and runners you lived in for the last few years may not cut it anymore. Factor in expenses like student loan payments, new clothes, transportation, and parking costs as well as the standards like rent, food and utilities.

Where Does Your Loan Fit?

Now it's time to figure out how your student loan payments fit into your post-student budget – while you still have time to make changes if you need to. How much your payments will be depends on three things:

- the size of your loan
- the length of your repayment term
- the interest rate on your loan

Mike

Graphic Design Diploma

$10,000 in loans

Mike just completed his program and is opening a small graphic design firm. He knows there are a lot of costs involved in the first year of a new business, so he wants to minimize his student loan payments. He signed a loan repayment agreement that will allow him to take 10 years to pay back his loan, and keep his payments around $130 a month.

"When the business starts rolling in, maybe I'll revise my plan and pay the loan back faster. But for now, I need all my extra money for marketing and start-up costs."

MONTHLY INCOME:
VARIABLE $1,000 – $3,500

STUDENT LOAN PAYMENTS:
$130

PERCENTAGE OF INCOME:
VARIABLE – 3.5% - 15%

Payment Free For Six Months

When you graduate or leave full-time studies, you have a six-month grace period before you have to start making student loan payments.

These six months give you some breathing room to get on your feet before you start making loan payments. BUT... you must begin repaying your student loans, principal plus interest, on the 1st day of the seventh month following the completion of your studies. Interest will begin to accrue on the outstanding balance of your Canada and Alberta Student Loan(s) immediately after you complete your classes.

A lot of people move in the six months after leaving school – make sure your lender(s), who handle your Alberta Student Loan have your current address. They'll be sending you important information about your loan, and not receiving it (and not answering it) will start you off on the wrong foot.

Contact the Canada Student Loans Program at 1-888-432-7377 for more information about Canada Student Loan interest rates.

Will

Petroleum Engineering Diploma
$12,000 in loans

Will just finished a diploma in petroleum engineering. He found a job at a drilling site north of Edmonton making $36,000 a year. He's decided to pay back his loan as quickly as he can – making $400 monthly payments, he'll have paid it off in less than three years.

"Once I pay off this student loan, I want to start saving up to buy a house."

MONTHLY INCOME: $3,000
STUDENT LOAN PAYMENTS: $400

PERCENTAGE OF INCOME: 15%

Leaving School: Making Your Payments!

The Six Most Important Months Of Your Loan

Before the end of your six month grace period, you should talk to your lender(s) about repayment. If you have both Alberta and Canada Student Loans, you will have two separate loans and must make separate payments.

IF YOU CAN PUT ANY MONEY TOWARDS YOUR STUDENT LOANS IN THE SIX MONTH GRACE PERIOD BEFORE REPAYMENT BEGINS, DO IT! YOUR PAYMENTS WILL REDUCE THE ACCRUED INTEREST.

Alberta Student Loan Lender

If your Alberta Student Loan was negotiated through the CIBC, contact the CIBC National Student Centre at 1-800-563-2422 for more information.

Note: Royal Bank contract expired March 31, 2001. Until July 31, 2001, CIBC is designated as sole lender to the Alberta Student Loans Program.

Canada Student Loan Lender

If you receive a Canada Student Loan on or after August 1, 2000 - repayment is made to the Receiver General - Government of Canada. For more information contact the Canada Student Loans Program: 1-888-432-7377.

The Loan Agreement

Your "lenders" will send you a standard agreement in the mail setting out the proposed terms of repayment. If you don't contact your lenders, these will be your terms - whether or not you sign and return the form - and you'll be expected to start making payments. Usually these agreements are signed before your loan is disbursed. Talk to your lender for more information.

What Choices Do I Have?

Here's a hint – you can't choose to ignore your loan. But there are some choices you can make that can have a huge effect on how long it takes you to pay back your loan and how much you pay in total interest charges.

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You Deserve a Break!

Reduce Your Debt - The Alberta Student Loan Relief Program

If you have a government student loan and have completed your studies, you may be eligible for benefits under the **Alberta Student Loan Relief Program.** This program is designed to keep the debt level of Alberta students manageable. If your combined Alberta and Canada Student Loans are more than a certain amount, the Government of Alberta may award you a **Loan Relief Completion Payment.** The payment repays part of your Alberta Student Loan for you and is also based on the established debt limit for your program.

You Are Eligible If:

- **Your Alberta or a combination of your Alberta and Canada Student Loans** exceed $5,000 per academic year or $2,500 per semester. The payment will be applied against your Alberta Student Loans only (see chart on page 6). Your payment will not be greater than your total Alberta Student Loan.

Your Payment Can Be Reduced If:

- You withdrew from studies in any academic year, or
- You did not cash all of your student loans in a particular academic year, or
- Your loans for a specific year were less than the established minimum debt level for that year

You May Still Be Eligible If You:

- **Didn't Graduate.** Your payment will be based on the period of time that you were enrolled as a full-time student.
- **Already Paid Off Your Alberta and Canada Student Loans.** If you apply and qualify for the Loan Relief Completion Payment, the Alberta Government will send a cheque in the amount of your payment directly to you.

Note: Loan Relief is not a reward for good grades. Even if you weren't at the top of your class, you will qualify if your loan is large enough and you didn't drop out part way through the year.

What's The Catch? Do I Need To Complete An Application?

You Do Not Need An Application If:

- You receive Alberta Student Loans after **August 1, 2001,** and you answered "yes" to question 26.1 in Section 2 of your 2001-2002 Alberta Student Loan Application - **you will automatically be assessed for eligibility by Students Finance.**

You Must Submit An Application If:

- You graduated or left studies at any time **before** August 1, 2001. **Your application must be received by July 31, 2003.**
- You complete studies **after** August 1, 2001 and will not be receiving further Alberta Student Loans. **Your application must be received within two years of completing your studies.**

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- You did not complete your final year of studies. **Your application must be received within two years of leaving your program.**
- You did not confirm your final year of studies on your 2001-2002 Alberta Student Loan Application (Section 2, Line 26.1). **Your application must be received within two years of completing your studies.**

If I Am Eligible, How Do I Get My Payment?

If you are automatically assessed or you have applied, you will be notified of your payment amount. The payment will be forwarded directly to your lending institution on your behalf and applied directly to the principal of your Alberta Student Loan.

Where Can I Pick Up An Application Or Get More Information?

For more information or to pick up an application for the **Alberta Student Loan Relief Program - Loan Relief Program Completion Payment**, talk to your:

1. Lending institution
2. Nearest Alberta Career Development Centre or Canada-Alberta Service Centre
3. Educational institution
4. Visit *www.alis.gov.ab.ca*

Loan Relief Completion Payments

To qualify for the completion payment, students must have provincial or a combination of federal and provincial loans that exceeds $5,000 per academic year or $2,500 per semester. Anything above these levels may be paid for you.

Program	Length of program	Minimum Total Loans to Qualify
Diploma Program	2 x 8 month year	$10,000
Degree Program	4 x 8 month year	$20,000
Degree Program	5 x 8 month year	$25,000
Masters Program		$30,000
Ph.D. Program		$35,000
Medicine		$35,000 - $45,000
Law, Veterinary Medicine, Chiropractic Study, Optometry		$30,000
Private Vocational Schools	Per 4 month semester	$2,500

For example, if you finish a four year program with $25,000 in federal or provincial loans, the Alberta government may repay up to $5,000 of your loan.

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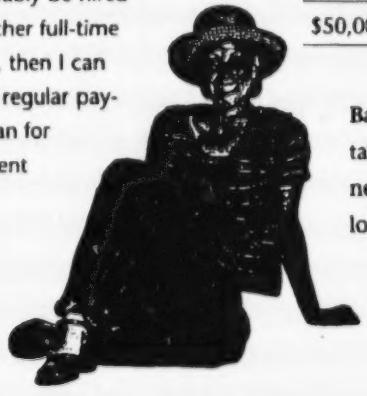
MONTHLY INCOME: $1,300
STUDENT LOAN PAYMENTS SUSPENDED: $320

PERCENTAGE OF INCOME: 25%

Sasha
Education
Degree
$17,500 in loans

Sasha just finished an education degree. She applied for a job with the local Board of Education, but only got hired as a substitute teacher. She's also working part-time as a waiter to help make ends meet. Six months after graduation, Sasha wasn't making enough money to start making payments on her student loan, so she applied to have her loan payments delayed through the Interest Relief program.

"I'll probably be hired as a teacher full-time next fall, then I can set up a regular payment plan for my student loans."



Repayment Terms

Your first decision is how long you want to take to repay your loan. The shorter the term, the bigger your monthly payments will be. BUT, the longer the term, the more interest you'll eventually pay.

You have probably been accumulating loans for at least a couple of years, and it can be hard to translate the grand total into a monthly payment. Well here is a general idea. Choose the one that best fits your personal circumstances.

Show Me The Numbers

Based on an interest rate of 8% and a 10 year repayment period, below is an example of what your loan payment might be depending on the amount of your student loan balance.

Student Loan Amount	Monthly Student Loan Payment Amount	Total Interest Paid Over 10 Years	Total Amount Paid
$10,000	$121	$4,520	$14,520
$15,000	$182	$6,840	$21,840
$20,000	$243	$9,160	$29,160
$25,000	$303	$11,360	$36,360
$30,000	$364	$13,680	$43,680
$50,000	$606	$22,780	$72,780

Based on an interest rate of 9% and 5 and 10 year repayment periods, the tables on page 8 illustrate an approximate minimum annual gross income needed to repay a loan based on 15% of gross income used to repay student loans.

To Repay A Loan Over A 5-Year Period

Loan Value	Monthly Payment	Total Payments	Approximate Minimum Annual Gross Income to Repay
$7,000	$145	$8,700	$11,600
$14,000	$291	$17,460	$23,280
$21,000	$436	$26,160	$34,880
$28,000	$581	$34,860	$46,480

To Repay A Loan Over A 10-Year Period

Loan Value	Monthly Payment	Total Payments	Approximate Minimum Annual Gross Income to Repay
$7,000	$89	$10,680	$7,120
$14,000	$177	$21,240	$14,160
$21,000	$266	$31,920	$21,280
$28,000	$355	$42,600	$28,400

Interest Rates

There are two basic types of student loan interest rates – fixed and floating. Both are based on the prime rate. The prime rate is a reference point set by your lender that changes in response to the Bank of Canada rate, the economy and other factors.

If you have a floating rate, your interest rate will change along with the bank's prime rate – the normal floating rate is prime plus 2.5%. If you don't specify otherwise, you will be given this floating rate.

If you have a fixed interest rate, your rate will be the same through the whole repayment – the normal fixed rate for student loans is prime plus 5% at the time you sign the repayment agreement.

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Repayment Terms, *continued from page 8*

Flexibility

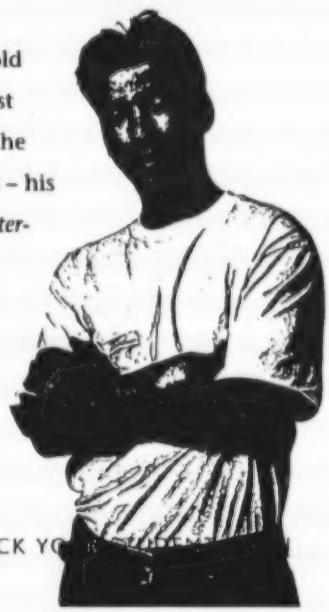
One of the good things about student loans is that repayment is flexible. You can revise the terms of your repayment agreement if your circumstances change, and you can always make lump sum payments on your loan if you have a sudden windfall (you never know!) like a giant tax return or an inheritance.

Danielle and Gordon

Danielle and Gordon just graduated in the same class with degrees in engineering. They've both found jobs in their field with about the same salaries – just over $40,000. Each of them has approximately $16,000 in student loans, but they're managing their loan repayments in totally different ways.

Danielle is planning to pay off the entire loan in four years, which means hefty monthly payments of $400. To fit these payments in her budget, she'll be living with a roommate in a small apartment and she isn't making any big purchases, like a car. *"To me, it's worth it to get the loan paid off as quickly as possible. By doing it in four years, I'll pay way less in interest – I have the rest of my life to buy the other stuff I eventually want."*

Gordon is in a different situation. He's married and has a two-year-old baby. In addition to managing his student loan, he and his wife just bought a house. Because he'll be making mortgage payments too, he has chosen to spread his student loan repayment over eight years – his payments will be about $235 a month. *"I know I'll pay more interest, but it's worth it to me. My family made a lot of sacrifices while I was in school – I don't want to put the good things in life on hold any longer."*



What If You Can't Pay It Back?

Not everybody finds the job of their dreams six months after they leave school. And people lose their jobs. When you're starting out, the path isn't always smooth. If you don't think you'll be able to make your loan payments, don't panic. There are programs in place to help you get through the rough spots. The key is keeping in touch with your lender(s) so they understand your situation. You must have signed your agreement and kept your loan in good standing to be eligible.

Interest Relief

Getting Interest Relief is like returning to student status. For a little while, you get a break from making payments while the government makes interest payments on your loan. This program is designed to help get you through temporary periods of low income without missing payments on your student loans. It covers times when you're looking for work, get laid off, or have a temporary money crisis (like a medical emergency).

Interest Relief is available on both Canada Student Loans and Alberta Student Loans, but you have to apply separately. Interest Relief is given for six months at a time to a maximum of 30 months. You must re-apply after each six-month period.

Whether or not you can get Interest Relief depends on a few things – basically your income, the size of your family and the monthly payment amount of your student loans. If you think you need Interest Relief, talk to your lender(s).

Revision Of Terms

If you're having trouble making your loan payments, it may be your repayment plan was a little bit ambitious. You can ask your lender about negotiating a revision in your loan agreement that would let you make smaller monthly payments over a longer period of time. Of course, you can also do the reverse – if you decide you can afford to pay off your loan quicker, talk to your lender about reducing the repayment period.

If you have been given Interest Relief for 30 months, you are expected to revise your repayment term to 15 years before applying for other assistance. This extension should lower your payments by almost 25%.

continued on page 11

What if you can't pay it back? *continued from page 10*

Extended Interest Relief

In special circumstances, if you have exhausted Interest Relief and you still can't make your loan payments, you may be given extended Interest Relief on federal or provincial Student Loans for up to five years after leaving school.

Canada Student Loan Debt Reduction

If you are still having problems five years after leaving school, you may be able to have your Canada Student Loan debt reduced. If you have made the maximum use of all of the other options, the federal government may pay off part of your loan. The maximum amount of debt reduction is half your Canada Student Loan or $10,000, whichever is less.

Tax Tips

Good news for student loan holders! As of 1998, you get a 17% tax credit on the interest payments of your student loan. That means you get back a big chunk of the interest charges you are paying. If you finished school this year, don't forget that you still get a tuition tax credit too.

Tax rules change all the time. Contact Canada Customs and Revenue Agency at 1-800-959-8281, or visit www.ccra-adrc.gc.ca.

INTERESTING TIP

IF YOU HAVE A GREAT CREDIT RATING OR CAN FIND A CO-SIGNER FOR YOUR LOANS, YOU MAY BE ABLE TO NEGOTIATE A SLIGHTLY LOWER INTEREST RATE . IT'S WORTH ASKING – A SMALL DIFFERENCE IN THE RATE CAN MAKE A BIG DIFFERENCE IN THE TOTAL AMOUNT OF INTEREST YOU EVENTUALLY PAY.

LINKS TO YOUR LENDERS:

ALBERTA STUDENT LOANS:

CIBC NATIONAL STUDENT CENTRE: 1-800-563-2422

CANADA STUDENT LOANS:

1-888-432-7377

Frequently Asked Questions:

When do I have to start repaying my loan?

You must begin repayment 6 months after you graduate from or leave full-time studies. (See pages 3, 4)

What if I am unable to make payments?

Contact the lenders holding your student loan account(s) to discuss repayment options. They may suggest options such as interest relief, or a revision of payment terms. (See pages 7, 10)

What is Interest Relief?

The Interest Relief Program is a component of the Canada Student Loan and Alberta Student Loan programs that helps former students who are having difficulty paying back their government student loans because of low income. (See pages 10, 11)

Do I have to be an honour student to qualify for Student Loan Relief?

No, it is based on your total outstanding student loan debt. It is not a reward for good grades and you do not need to provide a transcript of your marks. (See pages 5, 6)

What is a loan default?

A default occurs when a student is unable or unwilling to make the required monthly payments on their loan(s). Talk to your lender holding the loan account. There may be options available to assist you.

What if I don't repay my loan?

Your loan will go into default. Defaulting on your student loan will seriously affect your financial record. You may:

- face additional interest charges
- lose future student loan assistance
- have to deal with a collection agency
- establish a bad credit rating
- lose future income tax and GST refunds
- face legal action
- lose interest relief eligibility

What is an overaward?

An overaward occurs when it is determined that a student received more money than he or she was eligible for. Overawards are discovered when applications are reassessed, an audit is conducted by Alberta Students Finance, or a student withdraws below 60% of a full course load, and possibly other reasons.

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Frequently Asked Questions *continued from page 12*

Do I have to repay all of the money?

Canada Student Loans and Alberta Student Loans **must** be repaid in full. Grant assistance, bursaries and scholarships do not have to be repaid, unless, an overaward has been calculated. (See page 5)

What do I do if my loan has gone to a collection agency?

You must contact the collection agency, and set up a repayment plan. If the collection agency has pursued your defaulted Student Loans through the courts, you must pay the judgment debt (principal, interest, and costs) in full.

What if I declare bankruptcy and the student loans are included?

Under the Bankruptcy and Insolvency Act, student loans may not be discharged until ten years past the study end date. This means that payments must continue to be made on your government student loans because they are excluded from the estate. For all defaulted loans, 3 years must pass from the date student loans are discharged before you would be eligible for further loan assistance.

Who are the "lenders"?

The "lender" is the financial institution where you negotiated your Student Loan Agreement.
Alberta Student Loans: CIBC is designated as sole lender until July 31, 2001.
Canada Student Loans: The Canada Student Loans Program/Receiver General of Canada. (See page 4)

What does "prime rate" mean?

The prime rate is a reference rate established by your lender, based upon changes to the Bank of Canada rate.

What does "term" mean?

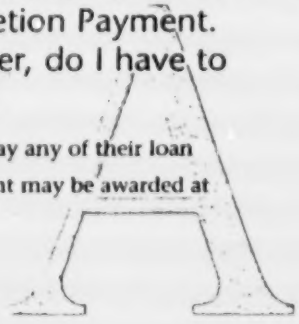
The term is the projected period of time (in months) required to fully repay a loan based on monthly payments being paid on time.

Can I lower my rate?

Yes. Security can be pledged at any time during repayment of your loan. You can also negotiate your interest rate if you have a qualified guarantor.

I've graduated and received the Loan Relief Program Completion Payment. If I return to school later, do I have to repay the Loan Relief?

The student will NOT have to repay any of their loan relief. A further loan relief payment may be awarded at the end of their new program.



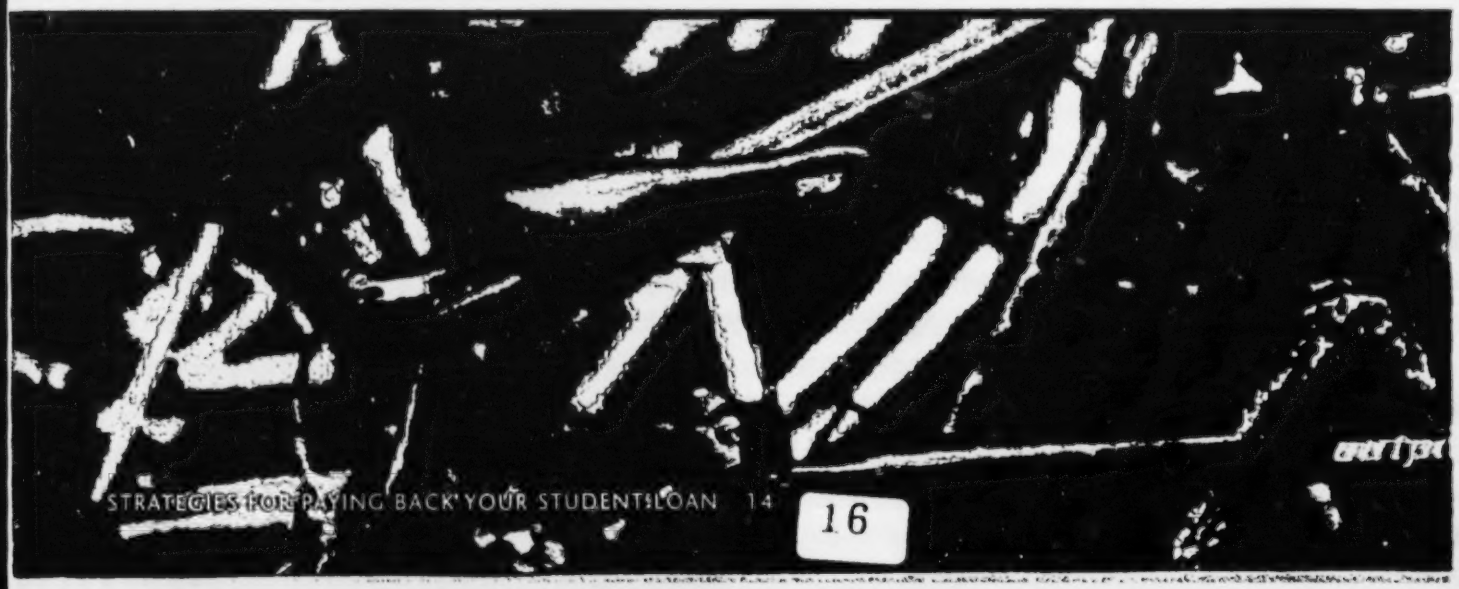
We're Here To Help

Paying back a student loan can be complicated. But even if it seems impossible, the worst possible option is ignoring your loan. It's in everyone's best interest that you pay your loan back successfully – yours (of course), your lender's and the government's. That's why there are so many programs to help you.

If you're having trouble, chances are you aren't the first person in your situation and you won't be the last. Call your lender – they can help.

Where Can You Get Help?

- CIBC National Student Centre: 1-800-563-2422 or www.cibc.com
- Canada Student Loans Program: 1-888-432-7377 or www.canlearn.ca
- Alberta Career Development Centre/Canada-Alberta Service Centre location information: 1-800-222-6485 or www.alis.gov.ab.ca/cdc-casc
- Write to: Alberta Students Finance, PO BOX 28000, STN MAIN, EDMONTON, AB T5J 4R4



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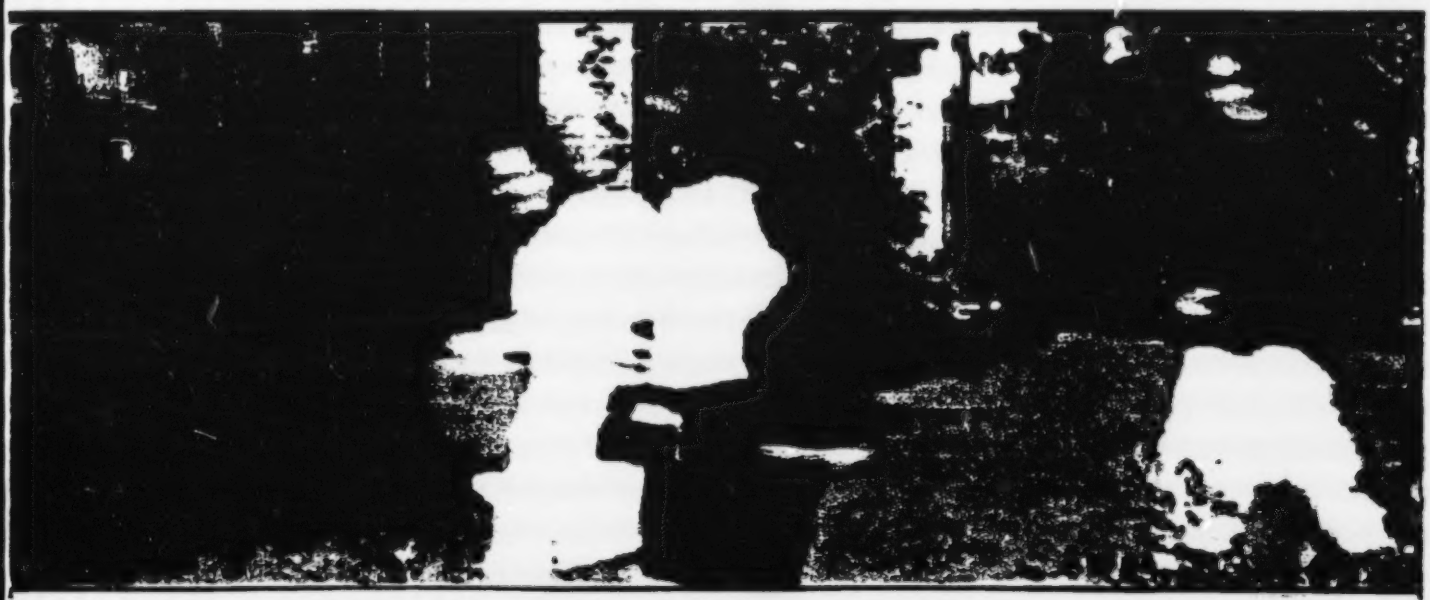
Need more information? Try the other booklets in the Study Your Options series.

What's Next: Planning and Financing Your Post-Secondary Education

Owner's Manual: A Guide To Financing Your Education

Just The Facts: A Short Guide to Students Finance



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www.alis.gov.ab.ca

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